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C O N F I D E N T I A L SECTION 01 OF 04 SHANGHAI 000789

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E.O. 12958: DECL: 12/13/2017
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SUBJECT: SHANGHAI ACADEMICS ON CHINA-INDIA RELATIONS

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REASON: 1.4 (b), (d)

¶1. (C) Summary: In a series of meetings in mid-November to discuss China-India relations, Shanghai's leading South Asia academic experts provided differing views on a variety of issues including border disputes, United Nations Security Council reform, energy competition, and regional dynamics. They painted the overall relationship in a generally positive light, citing the increasing number of high level bilateral visits and growing trade ties as signs of a warming relationship. However, some academics believe lingering border disputes and underlying feeling of distrust will prevent the two sides from establishing a solid strategic relationship in the near future. For now, the two countries will continue to have a pragmatic relationship based on their own economic and geopolitical interests. End Summary.

The Third Rapprochement

¶2. (C) Poloff met with Shanghai's leading South Asia academic experts in mid-November to discuss the current state and future outlook for China's relationship with India. Most of the academics share the view that the current bilateral relationship is good, highlighted by recent high level visits on both sides. Indian Prime Minister Singh's upcoming visit to China in December 2007 or January 2008 will add impetus to the growing positive relationship. Zhao Gancheng, Director of the South Asian Studies Department at the Shanghai Institute for International Studies (SIIS), went so far as to say the two countries have reached the "peak of their third rapprochement."

¶3. (C) Increasing trade links are also driving the two countries closer together. Several academics cited statistics showing current bilateral trade at US\$25 billion, and they projected China will displace the United States as India's largest trading partner in the next few years. Although there

is a growing trade imbalance in favor of China, the academics downplayed any trade tensions in the bilateral relationship. Du Youkang, Director of the Center for South Asian Studies, Fudan University, stated that some Indian companies still complain about the trade imbalance and the Indian media occasionally warn of the "second invasion by China." However, the Indian business community is starting to view China as more of an opportunity than a threat. Zhao sees the two economies as complementary, with Chinese companies like ZTE and Huawei investing in India's IT and communication sectors, and Indian companies investing in auto parts and pharmaceutical companies in China.

This Land Is My Land

14. (C) Despite growing economic ties, border disputes in Aksai Chin (occupied by China) and Arunachal Pradesh (occupied by India) remain serious obstacles to further improvement of relations, according to the academics. Although the academics agree that neither India nor China is satisfied with the status quo and both sides will have to make concessions, they differ in their assessment of where the process is headed. Wang Dehua, Director of the Institute of South and Central Asia Studies, Shanghai Center for International Studies, believes the process is on the "fast track" to resolution following 11 rounds of negotiations. However, other academics are less optimistic in their outlook. Shen Dingli, Director of the Center for American Studies, Fudan University, thinks that although there is a general framework to settle the dispute, neither side can move forward with any agreement because a) both sides are "fundamentally distrustful of each other"; and b) domestic politics will prevent either side from making any concessions. He said the talks have reached an impasse, and there is no hope of settling the issue in the near future. (Note: Although Shen

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is best known for his expertise on U.S.-China relations, he claims that his personal passion is South Asia and Asian regional security issues. End Note)

15. (C) Both Zhao and Du agree with Shen that domestic politics play a major role in the dispute, and neither side would be able to make concessions without angering their domestic audience. Zhao explained that although China is not a democracy like India, the Chinese Government is afraid of rousing a public that is already sensitive about border issues. Despite these domestic political hurdles, however, both Zhao and Du are cautiously optimistic that the process will continue to move forward step by step, and that both sides are sincere in their effort to resolve the issue.

UN Security Council Reform: China Less Than Enthusiastic

16. (C) The academics offered differing viewpoints on China's stance towards United Nations Security Council (UNSC) reform, namely, the accession of other countries to permanent membership on the Security Council. Zhao and Wang believe China supports UNSC reform. When asked whether China would back India's accession to the UNSC, however, they did not provide a clear answer, stating only that China would not oppose another developing country playing a greater role in the UN. Shen, on the other hand, dismisses the notion of China supporting any UNSC reform. He asserts that UNSC reform would not be in China's interest since it would dilute China's influence, and China would never fully back India's or any other country's accession to the Security Council.

Energy Competition: Exxon Sets the Price

17. (C) Most of the academics do not see a growing rivalry between China and India for energy resources. They stress the cooperative side of the relationship, citing Iran as an example where both countries have a common interest in preventing war. However, Zhao qualifies this by saying that China and India will

cooperate where cooperation is possible (e.g., Nigeria) but will compete where cooperation is not possible (e.g., Angola), depending on whether host governments allow one or more oil companies to do business in their country. He believes that China and India could cooperate more to balance the "domination" of the global energy market by US oil companies, stating "ExxonMobil determines world oil prices."

Chinese Concerns about Regional Arms Race

¶8. (C) The academics have differing views on the civilian nuclear cooperative agreement between the United States and India. Du said that it will not adversely affect China-India or China-U.S. relations. He emphasized that both China and India want good relations with the United States, and in the broader picture, the nuclear deal is "not a big concern" for China. However, Zhao and Wang expressed strong concerns that the agreement will indirectly aid India's military nuclear regime and fuel a regional nuclear arms race between India and Pakistan. In reference to the Nuclear Nonproliferation Treaty (NPT), Zhao pointedly accuses the United States of "always being the first to break international rules that they themselves establish." His biggest point of contention is that the United States did not consult with any major powers (i.e. China) before the deal was forged. Zhao perceives the nuclear agreement as proof of U.S. unilateralist behavior. Shen sees the agreement in the context of broader regional dynamics. According to him, China views the nuclear agreement as part of U.S. policy to nurture a democratic regional power that can hold China in check. Although China may not like the deal, there is nothing it can do to prevent the deal from moving forward.

Neither Friend Nor Foe

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¶9. (C) Zhao believes that China and India have a common interest in countering unilateral action by any country in the international arena. For example, both countries oppose "U.S. domination" of the IMF, WTO, and other international organizations. He maintains that there is no competition for military or regional supremacy between China and India, and that both should work together to forge a better counterweight to "U.S. hegemony" in Asia. Du agrees that there is no military rivalry between China and India. Although there are some elements in the Indian military who call China a growing threat, this may be in order to gain more funding. Du says most of the Indian military leaders he spoke with believe the Chinese military's main focus is still Taiwan and not India. Shen, however, does not see the bilateral relationship in such a benign light. According to Shen, South Asia is still dominated by India, but some of India's neighbors, like Bangladesh and Myanmar, do not have very good relations with India. Although China will not outright announce a strategic partnership with India's neighbors, nor will it instigate any regional tension, it will continue to tap some of the anti-India feelings among India's neighbors to its advantage. Unlike Pakistan, which is an imminent concern, China is more of a long term strategic concern for India.

China-India-Russia Trilateral Relations

¶10. (C) The academics are in agreement that the October 2007 trilateral meeting in Harbin, China between the foreign ministers of China, India, and Russia was mostly talk and contained little substance. Shen noted how the Chinese Government advised the Chinese press not to characterize the trilateral relationship as a strategic alliance in order to avoid antagonizing the United States. Although China's relationship with Russia has improved in recent years, there is still a deep level of distrust on both sides. Regarding India and Russia, Shen believes the relationship is still good but not nearly as good as it was during the Cold War. The main reason

for this, according to Shen, is that India is now trying to diversify its international ties, forging better relations with a number of countries including the United States. None of the academics view the Shanghai Cooperation Organization (SCO), in which China and Russia are members, as a particularly forceful regional entity. Zhao and Du think security was its main concern at the start, but now the organization is transforming into an economic cooperative body and may be losing its focus. Although India wants to play a more active role in the SCO, citing "historical ties" with Central Asian states, Shen stated this is unlikely to happen since if China accommodates India, it will also have to accommodate Pakistan.

Ignorance Breeds Distrust

¶11. (C) All the academics believe some of the distrust and misunderstanding between China and India stem from the people's lack of knowledge of each other. They noted there are very few India experts in China. Zhao simply stated "India is not a hot subject for Chinese students." But he went on to say this is a two way street, and the lack of understanding in India also contributes to negative reporting on China by the Indian media. Du and Shen cited figures for the movement of people between the two countries as an area of concern. According to them, 500,000-600,000 Indians came to China last year, whereas only 50,000 Chinese went to India. Many of these were business travelers, and Du and Shen criticized what they perceive as the Indian Government's discrimination against Chinese academics and students. They both recalled how several of their university colleagues and students were refused Indian visas in recent years. They speculated that the Indian Government has some "security concerns" about this category of Chinese travelers. The academics hope that more scholarly exchanges in the future would help alleviate some of the misunderstandings between the two countries.

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¶12. (C) Shen sees some positive signs in this regard, saying how the number of exchanges is gradually increasing, and the anti-Chinese rhetoric in India is also on the decline. He also noted how the Chinese Government is increasing its funding of several South Asia study centers throughout China. Specifically, he mentioned new research institutes in Sichuan and Yunnan Provinces, Shenzhen, and the Shanghai Institute for International Studies (SIIS) and Chinese Academy of Social Sciences (CASS) as recipients of additional government funding for their South Asia programs.

Comment

¶13. (C) Although most of the academics see the China-India relationship heading in a generally positive direction, mostly in the economic sphere, they also acknowledge that it is a complex relationship based on historically deep-rooted distrust and border issues that will not be easily resolved. For now, it appears to these Shanghai-based observers of South Asia that both China and India will allow some of these salient issues to be subordinated to economic interests and will continue to adopt a pragmatic, step by step approach towards fostering better relations.

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